

**BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA**

**DOCKET NO. 2019-290-WS**

**In the Matter of:**

**Application of Blue Granite Water  
Company for Approval to Adjust  
Rate Schedules and Increase Rates**

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**REBUTTAL TESTIMONY OF  
DANTE DESTEFANO FOR  
BLUE GRANITE WATER COMPANY**

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1     **I. INTRODUCTION**

2     **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS FOR**  
3     **THE RECORD.**

4     A. My name is Dante DeStefano and I am employed as the Director of Financial Planning and  
5     Analysis for Blue Granite Water Company (“Blue Granite” or the “Company”).

6     **Q. ARE YOU THE SAME DANTE DESTEFANO WHO SUBMITTED DIRECT**  
7     **TESTIMONY ON BEHALF OF BLUE GRANITE WATER COMPANY IN THIS**  
8     **PROCEEDING?**

9     A. Yes, I am.

10    **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11    A. The purpose of my rebuttal testimony is to, first, identify points of agreement between the  
12    positions of the Office of Regulatory Staff (“ORS”), the Consumer Advocate, and other  
13    intervenors, and the Company. Second, my rebuttal testimony will explain where and why  
14    I disagree with certain recommendations and positions of the other parties.

15    **Q. HAVE YOU REVIEWED THE FILED DIRECT TESTIMONY OF THE ORS, THE**  
16    **CONSUMER ADVOCATE, AND THE OTHER INTERVENORS?**

17    A. Yes, I have.

18    **II. AREAS OF AGREEMENT AND COMPROMISE**

19    **Q. IS THE COMPANY WILLING TO AGREE OR COMPROMISE WITH ANY OF**  
20    **ORS’S PROPOSED ADJUSTMENTS TO THE COMPANY’S REQUESTED**  
21    **REVENUE REQUIREMENT?**

22    A. Yes. Blue Granite is willing to agree and compromise with the following ORS proposed  
23    adjustments:

- Adjustments 1, 2, 3, 4, and 26b regarding pro-forma present rate revenues, Uncollectible Expense, and Gross Receipts Tax.
- Adjustments 5, 6, 14, 17a, and 26a related to Salaries & Wages, Capitalized Time, and Payroll Taxes.
- Adjustment 9a related to deferred maintenance.
- Adjustments 9b, 13a, and 20 related to the ClearWater Solutions Midlands region contract.
- Adjustments 9e, 13b, 15a, 15c, 21d, and 23b for rebranding and non-allowable expenses.
- Adjustment 19 for Insurance Expense.
- Adjustment 21a for Corix parent cost allocations.
- Adjustments 16a, 21c, and 21e regarding regulatory commission expenses and legal expenses, subject to the recommendation detailed later in my testimony.
- Adjustment 37 regarding Plant Held for Future Use.
- The calculations for Adjustments 27, 28, 35a, 35b, and 39 regarding Income Taxes, Cash Working Capital, and Interest Expense, subject to the results of adjustments elsewhere that impact these figures.

The Company also agrees with the ORS update of the as-filed Tax Cuts and Jobs Act one-time credit to customers, based on adjusted pro-forma customer counts. Blue Granite also appears to be in agreement with ORS on several items which were not adjusted by ORS from the Company's filed application:

- Adjustments 7, 10, 11a, 11b, 12a, 12b, 21b, 22, 23a, 29, 30, and 31.

1    **III.    AREAS OF DISAGREEMENT**

2    **Q.    DO YOU DISAGREE WITH ANY ADJUSTMENTS OR OTHER POSITIONS PUT**  
3       **FORTH BY THE ORS, CONSUMER ADVOCATE, OR OTHER INTERVENORS**  
4       **IN THEIR DIRECT TESTIMONY?**

5    A.    Yes. I will detail my view of the following issues in this proceeding:

- 6            ▪    Pass-Through Mechanism for purchased water and wastewater treatment  
7            services;
- 8            ▪    Storm recovery expense and the Storm Reserve Fund;
- 9            ▪    Round Up program and related costs;
- 10           ▪    Treatment of deferred maintenance expenses;
- 11           ▪    Purchased water and sewer treatment expenses and related deferrals;
- 12           ▪    Amortization of deferral balances;
- 13           ▪    Rate case expense and other legal expenses;
- 14           ▪    Rent expense;
- 15           ▪    Insurance expense;
- 16           ▪    Utility Plant in Service;
- 17           ▪    Accumulated Depreciation and Accumulated Amortization of CIAC;
- 18           ▪    Cost of service and tariff rate design;
- 19           ▪    Other adjustments by the Consumer Advocate not included in testimony;
- 20           ▪    Costs related to processing of annual Pass Through Filing.

21        The rebuttal testimonies of Witness Denton, Witness Mendenhall, Witness D'Ascendis,  
22        and Witness Spanos discuss in detail other issues in dispute in this case.

1 **IV. PURCHASED WATER AND SEWER TREATMENT PASS-THROUGH**  
 2 **MECHANISM**

3 **Q. WHAT IS ORS'S POSITION WITH RESPECT TO BLUE GRANITE'S**  
 4 **PROPOSED "PASS-THROUGH" RATE ADJUSTMENT MECHANISM FOR**  
 5 **PURCHASED WATER AND PURCHASED SEWER TREATMENT EXPENSES?**

6 A. ORS opposes the Company's proposed Pass-Through Mechanism primarily on the basis  
 7 that the Company's proposal differs from the pass-through mechanisms in place for  
 8 Kiawah Island Utility, Inc. ("Kiawah") and Ocean Lakes Utility, L.P. ("Ocean Lakes").  
 9 Specifically, although the Company's proposal continues to seek recovery of only actual  
 10 purchased water and sewer treatment expenses resulting solely from third-party supplier  
 11 rate changes, ORS objects to the Company's proposal to allocate and recover such costs  
 12 from all purchased water/purchased sewer treatment customers, rather than directly  
 13 charging customers that are geographically located in a specific third-party supplier's area.  
 14 Ultimately, ORS recommends that the Company continue to defer its incremental  
 15 purchased water and sewer treatment costs, with subsequent recovery considered in future  
 16 base rate cases.

17 **Q. HOW DO YOU RESPOND TO THESE POSITIONS?**

18 A. ORS contradicts itself with its various positions. ORS simultaneously argues that (1) Blue  
 19 Granite's rates should be further consolidated,<sup>1</sup> (2) but customers should be directly  
 20 charged their own third party service provider's costs,<sup>2</sup> (3) but also Blue Granite's

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<sup>1</sup> Direct Testimony of ORS Witness Sandonato at 16 ("ORS's recommendation . . . is a gradual step towards further consolidation of the Company's rates that began in Docket No. 2015-199-WS. This gradual step towards consolidation in rate design will create economies of scale to benefit both Service Territories long-term.").

<sup>2</sup> Direct Testimony of ORS Witness Sandonato at 20 ("[N]one of the Company's water systems are interconnected and are located in different geographic locations throughout the state. This socialization of purchased

1 purchased water and sewer treatment costs should be recovered as an expense and  
2 recovered from customers on a consolidated basis.<sup>3</sup> While ORS complains that the Pass-  
3 Through Mechanism “as proposed by the Company in its Application did not address  
4 ORS’s areas of concern,” the Company would point out that it is impossible to address  
5 positions that are inherently contradictory.

6 **Q. WHY IS THE PASS-THROUGH MECHANISM SO IMPORTANT TO THE**  
7 **COMPANY?**

8 A. These third-party expenses are significant, representing over 40% (approximately \$4.75  
9 million) of the Company’s requested overall rate increase in this proceeding. These  
10 expenses are variable and require an appropriate tracking and recovery mechanism. Third-  
11 party suppliers frequently adjust their rates, such that any amount built into base rates will  
12 quickly become out of date and insufficient. The rate changes, which result in changes in  
13 expense levels, are instituted by unaffiliated third-party suppliers, over which the Company  
14 has no control. As such, deferred accounting is an inadequate solution to address changes  
15 in wholesale supplier costs that accumulate to a material degree between base rate cases.  
16 Good regulatory policy supports timely recovery of prudent expenses that are significant,  
17 variable, and largely outside the control of the utility, via rate adjustment mechanisms. The  
18 Company’s purchased water and sewer treatment costs clearly meet these criteria.

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water increases through the proposed ARA mechanism and resulting rate design does not support Bonbright Principles 6 and 7 shown above.”).

<sup>3</sup> Direct Testimony of ORS Witness Sandonato at 23 (“ORS recommends the Commission maintain the current rate design and allow the Company to continue to recover the changes in third-party wholesale water and sewer treatment provider rates as an expense in the next rate proceeding.”).

1   **Q.   ORS RELIES UPON THE BONBRIGHT PRINCIPLES TO SUPPORT ITS**  
2       **POSITIONS RELATED TO THE PASS-THROUGH MECHANISM. WHAT IS**  
3       **YOUR OPINION ON THESE PRINCIPLES?**

4   A.   The Commission should recognize that many of these principles are often in tension with  
5       one another. In fact, many of these principles strongly support the Company's proposed  
6       mechanism:

- 7       •   The first Bonbright principle—whether the rate design is effective in permitting the  
8           utility to earn its permitted revenue requirement without expanding rate base—  
9           supports approval of the Pass-Through Mechanism. The Pass-Through Mechanism  
10          as proposed by the Company will support the Company's ability to earn its  
11          permitted revenue requirement with no impact on its rate base.
- 12      •   The second Bonbright principle—revenue stability and predictability, with a  
13          minimum of unexpected changes that are adverse to the utility—also supports  
14          approval of the Pass-Through Mechanism. A mechanism that, once per year,  
15          accounts for changes in third-party water and wastewater expenses gives the  
16          Company revenue stability and predictability.
- 17      •   The third Bonbright principle—stability and predictability of the rates  
18          themselves—also supports the enactment of the Pass-Through Mechanism.  
19          Without the mechanism, which is designed to adjust the purchased water and  
20          wastewater rate once per year, the Company is instead required to defer and  
21          accumulate these increases in expenses and then saddle its customers with a larger  
22          increase when it files a rate case. Instead of this deferral model under which  
23          customers can suffer from rate shock, the mechanism supports gradualism. Further,



1           rather than changing rates any time a third-party service provider changes their  
2           rates—as proposed in ORS’s alternative position—an annual proceeding supports  
3           further stability in rates and prevents the “whiplash” that could occur from frequent  
4           pass-through filings with the Commission.

- 5           • The fifth Bonbright principle—reflection of all of the present and future private and  
6           social costs and benefits occasioned by a service’s provision—also supports the  
7           Company’s proposed mechanism. When an expense, such as purchased water or  
8           sewer treatment services, is deferred and not promptly reflected in rates, customers  
9           can tend to overuse the services that result in that expense. In other words, the true  
10          cost of that service is not properly reflected in the rate design if the rate is only  
11          updated as often as the utility happens to come in for a rate case. In the meantime,  
12          the price signal customers respond to inaccurately represents the water and  
13          wastewater services they are consuming.
- 14          • The eighth Bonbright principle—dynamic efficiency in promoting innovation and  
15          responding economically to changing demand and supply patterns—also supports  
16          the Company’s proposed mechanism. As explained below, contrary to ORS  
17          Witness Sandonato’s testimony, the Pass-Through Mechanism proposed by Blue  
18          Granite is designed to track and pass on to customers changes in third party rates  
19          on a dollar-for-dollar basis without markup or margin. That is, the rate design is  
20          dynamically efficient in responding to changing supply patterns, thereby incenting  
21          changes in demand patterns.

22          Ultimately, the Bonbright principles do not control whether it is just and reasonable for  
23          Blue Granite to be able to timely recover the costs its customers incur for purchased water

1 and sewer treatment service—that issue is subject to the Commission’s discretion.  
2 However, to the extent the Commission believes the Bonbright principles are useful in  
3 guiding its decision-making, the Company believes that there is ample support in these  
4 principles for the Pass-Through Mechanism as proposed by the Company.

5 **Q. DO YOU AGREE WITH ORS AND YORK COUNTY THAT THE PASS-**  
6 **THROUGH MECHANISM SHOULD ALLOCATE COSTS ONLY TO**  
7 **CUSTOMERS THAT ARE GEOGRAPHICALLY LOCATED IN A PARTICULAR**  
8 **WHOLESALE SUPPLIER’S TERRITORY?**

9 A. No, not at all. As noted above, the argument that the Pass-Through Mechanism should only  
10 apply on a system-by-system basis is directly contradictory to the generally accepted  
11 position that consolidated rates are a net positive for customers. Rate consolidation is good  
12 for customers because it (1) mitigates rate shock by spreading the impact of rate changes  
13 across the entire customer base; (2) as ORS points out,<sup>4</sup> creates economies of scale and  
14 lowers administrative and regulatory cost, which benefits customers; (3) improves the  
15 viability of small systems by allowing for necessary capital investments; and (4) meets the  
16 “universal service” goal by making it cost-effective to serve customers and service areas  
17 that other utilities may not be willing to serve. It is also noteworthy that both the  
18 Commission and ORS have endorsed the Company’s consolidated rate design.<sup>5</sup> In light of

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<sup>4</sup> Direct Testimony of ORS Witness Sandonato at 16 (“ORS’s recommendation . . . is a gradual step towards further consolidation of the Company’s rates that began in Docket No. 2015-199-WS. This gradual step towards consolidation in rate design will create economies of scale to benefit both Service Territories long-term.”).

<sup>5</sup> Order No. 2015-876 at 22-23, Docket No. 2015-199-WS (Dec. 22, 2015) (“We conclude the rate design proposed by the Settlement Agreement is reasonable as this rate design fairly distributes the revenue requirement of the Company among the classes of customers.”); Direct Testimony of ORS Witness Matthew Schellinger at 13-14, Docket No. 2017-28-S (Apr. 2, 2018) (A consolidated rate design “result[s] in just, reasonable, sufficient, and nondiscriminatory rates” for all customers.).

1 the benefits of rate consolidation and the general approval of the Company's consolidated  
2 rate design, it is immaterial that Blue Granite's systems are not physically interconnected  
3 for purposes of the Pass-Through Mechanism. What is more important is the impact on  
4 customers, and the compatibility of the Pass-Through Mechanism with the Company's  
5 Commission-approved and ORS-supported rate design. Further, as noted, ORS's proposal  
6 to continue to utilize deferred accounting—which would spread these third-party costs  
7 across service territory Distribution Only and Collection Only customer bases—contradicts  
8 ORS's opposition to the Company's proposed rate adjustment mechanism. Similarly, York  
9 County Witness Rekitt's position regarding cross-subsidization concerns is undermined by  
10 the multiple, accumulated rate increases levied by York County on the Company as its  
11 third-party provider (and thus the Company's York County customers) since the last base  
12 rate case.

13 **Q. PLEASE EXPLAIN HOW THE ORS'S DEFERRAL RECOMMENDATION**  
14 **ITSELF CONTRADICTS THEIR POSITION ON THE ALLOCATION OF COSTS**  
15 **IN A RATE ADJUSTMENT MECHANISM?**

16 A. With deferral and subsequent recovery of costs in base rate cases – which is the current  
17 status quo – the deferred third-party supplier costs are allocated and recovered from all  
18 service territory Distribution/Collection customers (who receive purchased water and  
19 sewer treatment services), not just from customers who (indirectly) receive service from  
20 the specific third-party suppliers. Thus, continuation of the deferred accounting status quo,  
21 as recommended by the ORS, results in exactly the allocation and recovery they claim as  
22 the basis for their rejection of the proposed Pass-Through Mechanism.

1 **Q. PLEASE EXPLAIN HOW WITNESS REKITT'S CONCERN OF CROSS-**  
 2 **SUBSIDIZATION IS UNDERMINED BY YORK COUNTY'S PREVIOUS RATE**  
 3 **INCREASES?**

4 A. While Witness Rekitt is correct that York County—as a third-party provider to the  
 5 Company of both purchased water and sewer treatment services—has suspended its  
 6 planned 2020 rate increases, he overlooks the extent of rate increases imposed on the  
 7 Company since its last rate case. York County has increased its wholesale sewer  
 8 volumetric rate over 104% since the end of the Test Year in Docket 2017-292-WS, August  
 9 31, 2017, and had the proposed 2020 increase gone into effect, the impact would have been  
 10 nearly 130%.<sup>6</sup> York County has also increased its wholesale water volumetric rate over  
 11 35% since the last case's Test Year, and had the proposed 2020 increase gone into effect,  
 12 the impact would have been 46%.<sup>7</sup> In anticipation of the 2020 increases from York County,  
 13 the Company included those increase in its as-filed position in this case, though we have  
 14 since accepted the component of ORS Adjustment 8a which removed this anticipated  
 15 increase. Based on its inclusion, it is clear that the Company's York County customers are

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<sup>6</sup> The York County wholesale sewer rate increased from a blended rate of \$2.58 per 1,000 gallons in 2017 (based on Blue Granite's volumes and the York County tiered rate structure), to \$4.68 in 2018, to \$5.27 in 2019, and was scheduled to increase again to \$5.93 in 2020. *See* York County Sewer Rate Schedule, *available at* <https://www.yorkcountygov.com/DocumentCenter/View/2679/Water-Sewer-Rate-Schedule-2018>; York County Water and Sewer Financial Planning and Rate Study at 21, *available at* <https://www.yorkcountygov.com/DocumentCenter/View/2678/York-County-Water-Sewer-Financial-Planning-and-Rate-Study> (showing a \$3.64 wholesale rate for less than 10,675 kgal, and \$1.94 above the 10,675 kgal level).

<sup>7</sup> The York County wholesale water rate increased from \$3.26 per 1,000 gallons in 2017, to \$4.07 in 2018, to \$4.42 in 2019, and was scheduled to increase again to \$4.80 in 2020. *See* York County Sewer Rate Schedule, *available at* <https://www.yorkcountygov.com/DocumentCenter/View/2679/Water-Sewer-Rate-Schedule-2018>; York County Water and Sewer Financial Planning and Rate Study at 21, *available at* <https://www.yorkcountygov.com/DocumentCenter/View/2678/York-County-Water-Sewer-Financial-Planning-and-Rate-Study> (showing a \$3.26 wholesale rate).

1       benefitting from consolidated rates in place by the Company and the consolidated nature  
2       of its deferral for changes in purchased water and sewer treatment expenses.

3               Further, while York County has, during the pendency of this rate case, temporarily  
4       suspended its rate increases, such increases may resume at any time. In fact, according to  
5       its posted sewer and sewer rate schedules,<sup>8</sup> included herewith as DeStefano Rebuttal  
6       Exhibit No. 1, York County is planning to incrementally increase its wholesale rates an  
7       additional 20% and 16% for water and sewer service, respectively, between currently  
8       effective rates and 2026.

9       **Q.   WHY DOES THE COMPANY BELIEVE THE ORS AND YORK COUNTY**  
10       **POSITIONS ARE INCONSISTENT WITH THE POLICY REASONS FOR, AND**  
11       **THE REALITY OF, CONSOLIDATED RATES?**

12      A.   As this Commission has recognized, consolidated pricing for water and sewer utilities  
13       represents sound regulatory policy.<sup>9</sup> Among other things, consolidated pricing tends to  
14       stabilize rates and revenues, mitigate rate shock, and make rates more affordable for the  
15       customers of smaller systems and those systems that are more expensive to operate. A  
16       larger rate and revenue base ameliorates the impact of major capital additions needed from  
17       time to time in every service area; a larger revenue base promotes flexibility in timing and  
18       financing major capital additions; the impact of instability resulting from changes in sales  
19       volumes is mitigated when the effect of such volumetric factors is spread over a larger

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<sup>8</sup> See York County Sewer Rate Schedule, *available at* <https://www.yorkcountygov.com/DocumentCenter/View/2679/Water-Sewer-Rate-Schedule-2018>.

<sup>9</sup> Order No. 2015-876 at 22-23, Docket No. 2015-199-WS (Dec. 22, 2015) (“We conclude the rate design proposed by the Settlement Agreement is reasonable as this rate design fairly distributes the revenue requirement of the Company among the classes of customers.”).

1 economic base; and the reduction of the number of accounting units and the number of  
 2 individual rate filings result in administrative efficiency with a potential to reduce costs to  
 3 customers.

4 The issue of rate consolidation was taken up in 2015 by the state of Illinois' utilities  
 5 regulator, the Illinois Commerce Commission ("Illinois Commission"). The Illinois  
 6 Commission found that consolidated rates would "ensure that all customers make an equal  
 7 and appropriate contribution" to the recovery of the cost of service.<sup>10</sup> The Illinois  
 8 Commission concluded that consolidated rates would move the utility "closer to the rate  
 9 structure most common for other regulated utilities," permitting it to spread out costs,  
 10 mitigate rate shock, and "alleviate the rate impacts associated with multiple rate  
 11 proceedings that would otherwise be needed for smaller, stand-alone divisions."<sup>11</sup>

12 In a similar case in Pennsylvania, the appellate court concluded that "[g]iven the  
 13 history of the gradual and continuing consolidation of the water company, we hold that the  
 14 commission is not obliged to repeatedly explain and justify its approval of the goal of single  
 15 tariff pricing . . . ."<sup>12</sup> The court therefore concluded that "the rate structure decision here  
 16 constitutes an acceptable movement toward the 'single tariff pricing policy' which the  
 17 [Public Utility Commission] has followed with consistency with respect to [the utility]."<sup>13</sup>

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<sup>10</sup> Order at 30, Utility Services of Illinois, Inc. Proposed Rate Increases for Water and Sewer Service, Docket No. 14-0741, Illinois Commerce Commission (Sept. 22, 2015) (affirmed on appeal), *available at* <https://www.icc.illinois.gov/downloads/public/edocket/414425.pdf>.

<sup>11</sup> *Id.*

<sup>12</sup> *City of Pittsburgh v. PA Pub. Util. Comm'n*, 560 A.2d 889 at 891 (Pa. Commw. Ct. 1989).

<sup>13</sup> *Id.* at 892.

1 Likewise, both the Commission and the ORS have supported consolidated rates for  
2 Blue Granite Water Company in prior proceedings. The ORS and York County position  
3 with respect to the Pass-Through Mechanism, however, would move away from  
4 consolidated rates. Instead of implementing the rate adjustments on a consolidated basis,  
5 as are all other rate increases for the Company since 2015, ORS's position would re-  
6 introduce a multitude of zonal rates, along with the associated administrative burden, rate  
7 shocks to customers of small systems, and compromising the cost-effectiveness to serve  
8 customers in certain areas. Given that Blue Granite's water and sewer rates have been  
9 consolidated (and further consolidation is envisioned, and even is proposed by ORS in this  
10 proceeding), and given that under ORS's recommended continued deferred accounting,  
11 these very same costs would be allocated on a consolidated rate basis, we continue to  
12 believe that the allocation and recovery methodology reflected in our Pass-Through  
13 Mechanism is reasonable and beneficial for customers, and should be approved.

14 **Q. THE ORS CITES THE PASS-THROUGH MECHANISMS OF KIAWAH AND**  
15 **OCEAN LAKES UTILITIES AS SUPPORT FOR THEIR POSITION ON HOW**  
16 **PASS-THROUGH COSTS SHOULD BE ALLOCATED. IS THIS COMPARISON**  
17 **PERSUASIVE?**

18 **A.** No, it is not. Both Kiawah and Ocean Lakes pass through costs for a single third-party (St.  
19 John's Water Company for water supply to Kiawah, Grand Strand Water & Sewer  
20 Authority for sewer treatment to Ocean Lakes) that provides 100% of the water supply and  
21 100% of the sewer treatment, respectively, for these companies. By comparison, Blue  
22 Granite's service to customers is supported by 14 water providers across 41 water systems  
23 and two Service Territory revenue requirements, and 8 sewer treatment providers across 9

1 sewer systems within a consolidated sewer revenue requirement. As such, Blue Granite  
2 operates with a completely different set of considerations than Kiawah and Ocean Lakes.  
3 While it is relevant that Kiawah and Ocean Lakes have pass-through mechanisms in place,  
4 the scope, scale, and base rate structures in place for Blue Granite are sufficiently dissimilar  
5 to make detailed rate design comparisons unpersuasive in determining the reasonableness  
6 of the design of the Company's pass-through proposal. In short, Blue Granite's systems  
7 and rate design will never be as simple as Kiawah's or Ocean Lakes', nor do the customers  
8 of Kiawah or Ocean Lakes receive the benefits discussed above of a consolidated rate  
9 structure.

10 **Q. THE ORS AND YORK COUNTY ALSO CLAIM THAT THE COMPANY'S PASS-**  
11 **THROUGH MECHANISM DESIGN DOES NOT GIVE THE COMPANY AN**  
12 **INCENTIVE TO MONITOR AND MANAGE LOSSES AND INFLOW AND**  
13 **INFILTRATION ("I&I"). HOW DO YOU RESPOND TO THIS?**

14 **A.** I disagree with the ORS that the mechanism does not provide an incentive to the Company  
15 to manage losses and I&I. The activities that the ORS lists – unauthorized use, misread  
16 meters, and data collection errors – have numerous implications to the Company beyond  
17 the narrow focus of water loss itself. The Company is incentivized to obtain, track and  
18 aggregate quality, accurate data for both its own and its customers benefit. The Company  
19 relies on such data to make decisions as to the prioritization of capital investments and  
20 implementing process improvements. Likewise, customers who receive inaccurate meter  
21 reads will not be able to understand their consumption patterns and thus may struggle with  
22 water use decisions. Additionally, the Commission, at its discretion, may authorize a water  
23 loss threshold to be utilized in reconciling the impact of third-party provider rate changes.



1 However, the ORS proposal would require the Company to charge to customers the  
2 system-specific incremental price of the local third-party provider's rate change. This  
3 method effectively forces the Company to absorb all water loss and I&I impacts at the  
4 incremental cost imposed on the Company by its supplier, despite the ORS position in this  
5 proceeding that 10% water loss is a reasonable threshold for cost recovery. This acts not  
6 as an incentive, but is punitive to the Company, as no amount of water loss or I&I  
7 mitigation efforts can overcome a complete lack of consideration for the inevitability of  
8 these losses occurring.

9 **Q. ORS ALSO COMPLAINS THAT THE PROPOSED PASS-THROUGH**  
10 **MECHANISM WILL ALLOCATE TO CUSTOMERS THE RISK OF THE**  
11 **COMPANY'S OVER- OR UNDER-RECOVERY OF EXPENSES DUE TO**  
12 **CHANGES IN CONSUMPTION AND CHANGES IN CUSTOMER NUMBERS.**  
13 **HOW DO YOU RESPOND TO THIS COMPLAINT?**

14 A. The "true up" feature of the Company's proposed mechanism acts to ensure that customers  
15 will pay no more and no less than their share of the Company's actual third-party provider  
16 expenses.

17 **Q. ORS AND YORK COUNTY ALSO ARGUE THAT THE PROPOSED**  
18 **PROCEDURES FOR IMPLEMENTATION OF THE MECHANISM LACK**  
19 **MEANINGFUL OPPORTUNITY FOR PUBLIC PARTICIPATION. DO YOU**  
20 **AGREE?**

21 A. No. The Company has made clear that it is willing to include in the procedures the  
22 opportunity for customers to be heard with respect to any proposed pass-through rate  
23 adjustments, which is a more inclusive process than customers are provided by other

1 utilities' pass-through mechanisms. In fact, certain other utilities with a pass-through  
2 mechanism simply file "notice" with the Commission.<sup>14</sup> Blue Granite's openness to a  
3 noticed pass-through proceeding with an opportunity for a hearing would be far and away  
4 the most open and transparent pass-through process.

5 It is important to keep in mind that the Company's proposed calculation of deferrals  
6 and impact of third-party rate changes are strictly a mathematical exercise. For that reason,  
7 barring any adjustment due to calculation error identified through audit by ORS, the results  
8 are objectively verifiable and would not be subject to interpretation or debate.

9 **Q. THE ORS AND YORK COUNTY CLAIM THE COMPANY'S PROPOSAL DOES**  
10 **NOT PASS COSTS TO CUSTOMERS ON A DOLLAR-FOR-DOLLAR BASIS.**  
11 **HOW DOES THE COMPANY RESPOND?**

12 A. First, the Company's current deferral process identifies the variance due to the impact of  
13 rate changes from third-party providers from actual invoices received, which reflect actual  
14 costs incurred. The Company's proposed Pass-Through Mechanism would similarly  
15 capture the costs related to the change in vendor rates. With both methods, the Company  
16 is deferring for later recovery actual operating costs incurred, for which it does not  
17 currently markup, or earn or collect carrying costs, despite the material level of cash  
18 outflow from the utility relative to when the utility is able to recover those costs. As such,  
19 these mechanisms, in the truest regulatory ratemaking sense, allow for a recovery of  
20 operating expenses on a dollar-for-dollar basis.

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<sup>14</sup> See, e.g., Order No. 2019-146, Docket Nos. 2001-380-S & 2017-28-S ("The increase began in January and has been included in billing to those customers. This amount is being passed through with no markup or margin, and notice was placed in the January billing to customers."); Order No. 2019-288 at 10, Docket No. 2018-257-WS (Apr. 25, 2019) ("KIU intends to add the pass-through charge at the time the rates approved in this case are ordered and include them in the same notice to its customers.").

1           Witness Sandonato also claims that the Kiawah and Ocean Lakes pass-through  
2           methods allow for “immediate recovery” for the utility. However, this is not true, as the  
3           utilities are required to issue customer notices at least 30 days in advance before changing  
4           the rate charged to customers. As certain vendors of the Company do not issue advanced  
5           notice of rate changes, it is entirely possible the Company would have 60 or more days of  
6           under-recovery for a rate change due to the time for identifying the vendor’s rate change,  
7           preparation of the filing request to change rates, processing by the Commission and review  
8           by ORS, and similar noticing requirements. The Company’s current as well as its proposed  
9           methodology eliminates the potential for gaps in recovery of prudently incurred purchased  
10          water and sewer treatment cost changes that are outside the Company’s control, which is  
11          consistent with our approach of not passing on carrying costs to customers as part of the  
12          Pass-Through Mechanism.

13   **Q.   DO YOU HAVE ANY ADDITIONAL CONCERNS WITH THE PASS-THROUGH**  
14   **RECOVERY METHOD PROPOSED BY THE ORS?**

15   A.   The Company believes a key flaw in the ORS proposal is that it diverges from the  
16          consolidated ratemaking methodology used for setting base rates, which has notable  
17          administrative and customer-interaction implications. The ORS method would have the  
18          Company apply incremental third-party vendor increases on a system-by-system basis in-  
19          between rate cases, which would require multiple filings and notices per year, adding

unnecessary administrative burden to the Company, and associated costs for customers. This is contrary to the economies of scale ORS identifies as a benefit to rate consolidation.<sup>15</sup>

Additionally, as the base rates are set on a consolidated basis, the incremental increase from a vendor has no clear tie to the existing single rate on a customer's bill (which was set on a consolidated basis), leaving any improvement in transparency highly questionable. Also, it is unclear how ORS plans to "roll-in" the rate adjustments implemented between base cases – if they are set on a system-to-system basis, but the following rate case will again consolidate purchased water and sewer treatment cost recovery in the resetting of base rates, any price signal or transparency determinable during the interim period will be lost in the eventual reconsolidation. This could result in certain water or sewer system customers receiving a spike or decline in their Distribution Only or Collection Only charges without a clear reason why, as the methodology used between rate cases is different than that used during rate cases.

**Q. WHICH PROPOSED PASS-THROUGH METHODOLOGY DOES THE COMPANY BELIEVE IS MOST REASONABLE AND APPROPRIATE?**

A. The Company believes its proposed methodology is the most reasonable and appropriate. The Company believes that any pass-through mechanism should be consistent with the general rate design utilized in base rate cases. Utilizing an annual filing to net out changes in third-party vendor rates, and initiating a single rate adjustment is the most efficient and practical method to capture and recover such cost changes between rate filings. The

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<sup>15</sup> Direct Testimony of ORS Witness Sandonato at 16 ("ORS's recommendation . . . is a gradual step towards further consolidation of the Company's rates that began in Docket No. 2015-199-WS. This gradual step towards consolidation in rate design will create economies of scale to benefit both Service Territories long-term.").

1 Company's existing deferral calculation incorporates cost changes on a similar basis and  
2 with similar rationale as the same expenses were set in the base case. For all the reasons  
3 stated in my testimony, the Company continues to believe that our proposed mechanism  
4 and allocation methodology is far superior, in light of the policy preference for  
5 consolidated rates.

6 Finally, should the Commission not approve an annual pass-through mechanism as  
7 part of this proceeding, the Company should be authorized to accrue carrying costs on its  
8 purchased water/sewer treatment deferrals going forward until time of recovery at the  
9 Company's authorized cost of debt. The amounts that the Company must carry have far  
10 too great an impact on the Company's funding of operating activities for it to be disallowed  
11 from recovering reasonable carrying costs.

12 **V. STORM RECOVERY EXPENSE AND STORM RESERVE FUND**

13 **Q. WHAT IS ORS'S POSITION ON STORM RECOVERY EXPENSE?**

14 A. ORS witness Bickley proposes to significantly reduce the Company's Test Year storm  
15 recovery expense. Instead of relying on the Test Year actual expense, witness Bickley uses  
16 10 years of historical data and recommends a multi-year average level of expense, after  
17 removing the highest and lowest 2 years out of that 10 years of data, resulting in a pro-  
18 forma value of \$28,321.

19 **Q. WHAT IS THE COMPANY'S RESPONSE TO THE ORS ON THE ISSUE OF AN**  
20 **APPROPRIATE LEVEL OF STORM RECOVERY EXPENSE TO BUILD INTO**  
21 **BASE RATES?**

22 A. We are not opposed to using a multi-year historical average of costs, but we believe that a  
23 more recent average should be used, particularly since South Carolina has experienced

more severe storms—and as a result, the Company has experienced consistently higher levels of storm recovery costs—in recent years. See the following table:

Year	Storm Costs	Five-Year Average
2010	\$16,207.41	\$14,533.90
2011	\$31,631.02	
2012	\$1,510.19	
2013	\$4,942.69	
2014	\$18,378.21	
2015	\$47,938.40	\$42,493.62
2016	\$43,737.13	
2017	\$33,469.27	
2018	\$54,716.21	
2019	\$32,607.10	

Accordingly, as an alternative to using the actual incurred Test Year level of storm recovery expense as the Company originally proposed (\$51,802), the Company proposes an average of the last 5 years (2015-2019) of storm recovery expenses, which is \$42,494. Note that these amounts exclude storm costs for Hurricanes Florence and Michael because Blue Granite has separately tracked and deferred those costs.

**Q. WHAT ARE THE ORS'S AND CONSUMER ADVOCATE'S POSITIONS WITH RESPECT TO THE COMPANY'S PROPOSAL TO ESTABLISH A STORM RESERVE FUND?**

A. ORS Witness Bickley appears to agree in concept with establishing a fund, but proposes that the Storm Reserve Fund be established at a much lower level—\$50,000 instead of the Company's proposal of \$200,000. The basis for Witness Bickley's position is that the Company's average annual storm recovery expense is closer to \$50,000 than \$200,000. Consumer Advocate Witness Morgan opposes the Company's Storm Reserve Fund proposal, stating the current base rate recovery of storm recovery expenses is sufficient.

1 **Q. DO YOU AGREE WITH WITNESS BICKLEY THAT BLUE GRANITE**  
2 **CUSTOMERS HAVE NOT SUFFERED FROM SERVICE RELIABILITY ISSUES**  
3 **DUE TO STORM DAMAGE?**

4 A. No. While Witness Bickley cites to the Company's response to Energy Operations Request  
5 #29 to support ORS's contention that "very few, if any" of Blue Granite's customers have  
6 gone without reliable water and sewer service due to storm damage, what the Company  
7 also stated in that discovery response was that "the Company has occasionally experienced  
8 service disruptions due to temporary power loss and damage to supply or treatment  
9 infrastructure as well as main breaks, which can cause low pressure and require boil water  
10 advisories. It can take from less than an hour to several days to restore full service to  
11 customers depending on the nature of the damage sustained to the Company's systems."  
12 The Storm Reserve Fund would be used to cover extraordinary storm restoration costs  
13 beyond those included in the Company's revenue requirement, including, for example,  
14 generator services necessary to restore service, damage assessments and inspections, site  
15 preparation, and facilities repair.

16 **Q. DOES THE COMPANY AGREE WITH THE ORS'S MODIFICATIONS TO THE**  
17 **STORM RESERVE FUND PROPOSAL, AND THE CONSUMER ADVOCATE'S**  
18 **REASONING?**

19 A. No, we do not entirely agree. The Company does agree that periodic reporting and  
20 utilization of funds only for named storms is reasonable. However, I believe the ORS's  
21 modifications and Consumer Advocate's rationale would not serve the ultimate purpose of  
22 the Storm Reserve Fund. The purpose of the fund is to set aside capital for immediate  
23 deployment in cases of an extraordinary level of storm recovery expense, an amount

1 significantly above the annual average “normal” level of storm-related expense we  
2 typically experience.

3           Unfortunately, in the last four years, we have in fact experienced two events where  
4 we faced extraordinary storm recovery expenses. The Fund would permit Blue Granite to  
5 have funds on hand to respond to extraordinary storms, and to save the administrative  
6 burden and expense of filing repeated deferred accounting petitions with the Commission.  
7 Further, without a reserve fund, absent filing for deferred accounting treatment, the  
8 Company has no available recourse to recover costs related to major storm events.  
9 Additionally, the use of a reserve fund will allow the Company to recover the true costs of  
10 storm damage recovery without the need to use other funds already allocated to other  
11 necessary activities. A \$50,000 fund, as proposed by the ORS, will not accomplish these  
12 goals. Our proposal for a Storm Reserve Fund recognizes that the costs to restore service  
13 following a storm must be incurred immediately, are a reasonable and necessary cost of  
14 providing service and, because storm costs incurred can be volatile, the proposed Fund  
15 provides a means to reflect the true cost of storm damage recovery in customer rates.  
16 Further, the proposal recognizes storm damage recovery is a vital utility activity, involving  
17 around-the-clock restoration efforts and the need for immediate investment in the system  
18 and operations. Customer protections would also be in place as the monthly charge would  
19 be suspended once the threshold amount was reached, and any overcollections during that  
20 last month would be refunded to customers the following month.

21           The Company also disagrees with certain modifications proposed by Witness  
22 Bickley. Rather than a quarterly filing, I recommend annual compliance filings, as that  
23 frequency allows for reconciliation of the annual activity in relation to base rate cost



1 recovery. Additionally, the Company does not know whether proceeds will be approved  
2 by an insurance provider often many months or even years after costs are incurred. Due to  
3 the immediate need of funds to manage the impacts of storm events, and the current  
4 \$50,000 property, \$250,000 flood, and \$250,000 named windstorm deductibles in place on  
5 the Company's insurance policies (which amounts would not be recovered even with a  
6 successful insurance claim), the Company submits that should insurance proceeds  
7 eventually be received, they will be returned to the fund as an offset to incurred costs  
8 previously funded, which will effectively provide customers the full benefit of any  
9 proceeds.

10 Our proposed Fund mitigates the potential for a catastrophic storm to erode the  
11 Company's earnings and impair the Company's financial ability -- impacts that adversely  
12 affect customers because they lead to increasing capital costs, diminish resources for other  
13 operating needs, and contribute to the need for more frequent regulatory filings. For all of  
14 these reasons, we continue to believe that the Commission should authorize the  
15 establishment of a \$200,000 Storm Reserve Fund, as initially proposed by the Company.

16 **VI. ROUND UP PROGRAM AND RELATED COSTS**

17 **Q. WITH REGARD TO THE ROUND UP PROGRAM, THE ORS TAKES THE**  
18 **POSITION THAT THE COMPANY SHOULD NOT BE ALLOWED TO DEFER**  
19 **AND RECOVER THE COSTS OF IMPLEMENTION AND COMMUNICATION**  
20 **COSTS ASSOCIATED WITH THE PROGRAM. DO YOU AGREE?**

21 **A.** No, I do not. We consider this program, even as a voluntary program, to be part of our  
22 service offering and part of our cost to serve customers. Related to that, I would point out  
23 that, although difficult to quantify, the existence of the Round Up Program and the

1 accompanying assistance to lower income customers should result in fewer  
2 disconnect/reconnect (and therefore lower customer service expenses), as well as lower  
3 uncollectible expenses – which will benefit all customers. We believe allowing deferral of  
4 our implementation and communication costs – without carrying costs – is reasonable for  
5 this program.

6 I believe the Consumer Advocate’s position on this issue is much more reasonable  
7 – the Consumer Advocate recommends that a cap be placed on the deferral of costs relating  
8 to modifying the billing and customer service systems to accommodate the Round Up  
9 program. The Consumer Advocate further recommends that the deferred costs be subject  
10 to scrutiny in the Company’s next rate case. I believe this is a reasonable compromise  
11 position; I encourage the Commission to allow the Company to defer its implementation  
12 and communication costs, capped at its estimated costs of \$50,000 as presented in this case,  
13 and subject to scrutiny before recovery through rates is authorized.

14 **VII. DEFERRED MAINTENANCE**

15 **Q. WITH RESPECT TO THE COMPANY’S DEFERRED MAINTENANCE**  
16 **EXPENSES, WHAT DO ORS AND THE CONSUMER ADVOCATE PROPOSE?**

17 A. ORS Witness Briseno has adjusted the Company’s filing position to account for the actual  
18 deferred maintenance costs incurred for system-wide hydrotank inspections in the post-  
19 Test Year period, and recommended recovery of the actual costs over a 5-year amortization  
20 period. Witness Briseno and Consumer Advocate Witness Morgan both have  
21 recommended removing the unamortized deferred maintenance balance from rate base,  
22 while Witness Morgan entirely rejects the deferral of the hydrotank inspection costs on the  
23 rationale that these are simply routine maintenance costs.

1 **Q. DOES THE COMPANY AGREE WITH THESE ADJUSTMENTS?**

2 A. While the Company agrees to the update to actual deferred maintenance costs made by  
3 ORS in adjustment 9a, we believe it is appropriate to defer these maintenance costs and  
4 include the unamortized balance of the deferred tank inspections in rate base. Such  
5 maintenance costs, similar to tank painting, are significant and do not recur on an annual  
6 basis. They provide a multi-year benefit to the Company and its customers – in the case  
7 of tank inspections, they are performed every five years, and tank painting value can last  
8 around 20 years. This multi-year benefit is reflected first in the form of a deferral and  
9 amortization, but as the Company is funding the costs upfront for a benefit derived over  
10 multiple years, the amount is akin to a prepaid item, if not perfectly analogous to a  
11 traditional capital investment. Unamortized prepaid balances are generally treated as rate  
12 base, which credits the utility for an upfront investment. As such, the Company reaffirms  
13 its position of rate base treatment for deferred maintenance costs. In any event, these  
14 important but periodic maintenance costs should be included in rates and recovered over a  
15 reasonable period of time.

16 **VIII. PURCHASED WATER AND SEWER TREATMENT EXPENSES AND**  
17 **DEFERRALS**

18 **Q. THE ORS PROPOSES TO DISALLOW THE PORTION OF THE COMPANY'S**  
19 **PURCHASED WATER EXPENSES AND DEFERRED PURCHASED WATER**  
20 **EXPENSE ATTRIBUTABLE TO A GREATER THAN 10% NON-REVENUE**  
21 **WATER THRESHOLD. ARE THE ORS'S POSITIONS REASONABLE?**

22 A. No. Company Witness Mendenhall's testimony explains why a blanket approach of 10%  
23 non-revenue water for the Company's purchased water expenses is unreasonable.

1 **Q. DOES THE COMPANY AGREE WITH THE ADJUSTMENTS PROPOSED BY**  
2 **ORS TO PURCHASED WATER/SEWER TREATMENT EXPENSES AND**  
3 **DEFERRED PURCHASED WATER/SEWER TREATMENT THAT ARE NOT**  
4 **RELATED TO WATER LOSS?**

5 A. The Company agrees with the portions of Witness Briseno's Adjustments 8a and 8b that  
6 do not relate to ORS's water loss threshold – namely, updating estimated expenses and  
7 vendor rates with actual figures, carrying prior approved balances to 4/30/2020, and  
8 removing billed activity not authorized for deferral.

9 **Q. DOES THE COMPANY AGREE WITH THE CONSUMER ADVOCATE'S**  
10 **POSITION TO AMORTIZE PURCHASED WATER/SEWER TREATMENT**  
11 **DEFERRALS OVER A 5-YEAR PERIOD?**

12 A. No. Witness Morgan argues for a 5-year amortization because it would be consistent with  
13 the Company-proposed amortization of the Administrative Law Court ("ALC")  
14 proceedings. There is, however, no rational connection between these purchased water and  
15 sewer treatment expenses and the costs associated with the ALC proceedings. It appears  
16 the Company and ORS agree that a 3-year amortization period is reasonable for purchased  
17 water/sewer treatment deferral balances known as of the audit cut-off date.

18 First, these costs were incurred by the Company since the last rate case's audit cut-  
19 off date less than 2 years ago (notwithstanding portions approved in Docket 2017-292-WS  
20 that were incurred in the years prior), and the Company has been "carrying" these costs  
21 since that time. Even under the Company's proposal, it will be 3 more years before the  
22 Company fully recovers these out-of-pocket costs through rates. Significantly, the

1 Company has not accrued any carrying costs associated with these expenditures; given that,  
2 it would be inequitable to further lengthen the recovery period.

3 Second, amortizing the purchased water and sewer treatment expenses over three  
4 years is consistent with the principle that recovery of the deferred amount should match  
5 the time it took to incur the expenses; that is, the amortization period should match the  
6 accumulation period.<sup>16</sup> We believe that it would not be reasonable to extend the collection  
7 period to five years when the accumulation period was less than 2 years. Three years is a  
8 more reasonable period because it more closely matches the accumulation period and yet  
9 is long enough to spread the impact of the cost in a logical way.

10 **IX. AMORTIZATION OF DEFERRALS**

11 **Q. ORS PROPOSES LONGER AMORTIZATION PERIODS FOR THE COMPANY'S**  
12 **DECOMMISSIONED PLANT AND ASSOCIATED REMAINING NET BOOK**  
13 **VALUE ("NBV") OF THE REMOVED ASSETS. DO YOU AGREE WITH THAT**  
14 **APPROACH?**

15 A. No. The ORS proposal ties the amortization period of these old retired assets to the  
16 estimated life of the new, replacement interconnect project, rather than the assets the costs  
17 are actually tied to – the decommissioned plants. Had these assets stayed in service, they  
18 would have continued to depreciate over the applicable useful life inherent in the  
19 depreciation rate tied to each asset. The fact that the Company's depreciation rates have  
20 been very low for many years necessarily resulted in assets at the end of their useful life

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<sup>16</sup> Order No. 2005-2 at 63-64, Docket No. 2004-178-E (Jan. 6, 2005) ("[I]t is reasonable to allow an amortization period that matches the accumulation period yet spreads the impact of the cost in a reasonable way. The three-year period proposed by the Company and Staff more closely matches the two-year period during which the costs were accumulated, yet extends the recovery over a reasonable period of time.").

1 but with a net book value remaining. Effectively, customers have received the benefit of  
2 the full life of these assets, but the Company's recovery was inaccurately set over a longer  
3 presumed asset life, and therefore the Company has under-recovered the cost of the assets.  
4 Utilizing a longer period than is reflected in the Company's calculation – which uses  
5 Witness Spanos's proposed depreciation rates, correcting for past under-depreciation –  
6 would result in unreasonably extending the period of under-recovery for the Company of  
7 these now-retired assets. The Company's proposed remaining life calculation for  
8 amortizing the decommissioning and NBV asset amounts rectifies this issue of under-  
9 depreciation to date.

10 **Q. DOES THE COMPANY AGREE WITH THE ORS CALCULATIONS OF**  
11 **DEFERRAL BALANCES – HURRICANE COSTS, I-20 PHASE 2, STONEGATE**  
12 **DECOMMISSIONING AND NBV, FRIARSGATE DECOMMISSIONING AND**  
13 **NBV, AND EXCESS DEFERRED INCOME TAX (“EDIT”) RESERVES – AS OF**  
14 **4/30/2020?**

15 A. The Company agrees with Witness Briseno's calculations of these deferral balances to  
16 4/30/2020. However, I will discuss later in my testimony the Company's recommended  
17 rate base consideration for EDIT and the two decommissioning/NBV items.

18 **X. RATE CASE EXPENSE AND LEGAL EXPENSES**

19 **Q. THE ORS HAS MADE SEVERAL ADJUSTMENTS TO OUTSIDE SERVICES-**  
20 **OTHER EXPENSES, PARTICULARLY LEGAL EXPENSES, IN ADJUSTMENTS**  
21 **21c AND 21e. DOES THE COMPANY AGREE WITH ALL OF THE**  
22 **COMPONENTS OF ADJUSTMENTS 21c AND 21e?**

1 A. As described in ORS Witness Sullivan's testimony, the Company agrees: 1) to remove and  
2 defer \$31,788 in legal costs related to a pending action; 2) to remove \$151,589 of legal  
3 costs related to Congaree Riverkeeper litigation, consistent with the Commission's  
4 Rehearing Order in Docket 2017-292-WS, which is currently open to appeal; 3) to add  
5 \$168,310 related to activity from the I-20 condemnation; and 4) to remove \$36,864 from  
6 Test Year activity related to regulatory proceedings that will be combined with the deferred  
7 rate case expenses from the current proceeding.

8 However, the Company disagrees with the removal of \$7,143 in legal expenses  
9 related to services prior to the Test Year, without likewise reviewing post-Test Year legal  
10 expenses for activity related to the Test Year period. The Company has identified \$7,203  
11 in general legal expenses paid in the post-Test Year, that should be included for recovery  
12 if ORS's adjustment is accepted. Similarly, the Company has identified an additional  
13 \$16,132 in post-Test Year costs related to Docket Nos. 2018-358-WS and 2018-361-WS  
14 and recommends this amount be combined with the same activity identified in Adjustment  
15 21c as Rate Case Expense for the current proceeding. Both the \$7,203 and \$16,132 figures  
16 noted herein are supported by attached DeStefano Rebuttal Exhibit No. 2.

17 **Q. WHAT IS THE COMPANY'S RESPONSE TO THE ORS ADJUSTMENT 16a**  
18 **RELATED TO RATE CASE EXPENSE?**

19 A. Aside from the modification to Adjustment 21c the Company recommends above, we do  
20 not disagree with the Rate Case Expense amount proposed by ORS, which incorporates  
21 costs supported through the audit cut-off date. This amount is subject to change as the  
22 Company provides additional documentation for costs incurred during the pendency of this  
23 proceeding.

1 **Q. DO YOU AGREE WITH THE CONSUMER ADVOCATE'S PROPOSED**  
2 **REMOVAL OF RATE CASE EXPENSES?**

3 No. Witness Morgan erroneously excluded remaining unamortized rate case deferrals from  
4 Docket 2015-199-WS, which are included in both the Company's and ORS's figures.  
5 Additionally, the Company and ORS have included the rehearing costs, as that proceeding  
6 was initiated by ORS's Request for Reconsideration after Order 2018-345 was issued in  
7 Docket 2017-292-WS. Despite the Consumer Advocate's assertion that it was "limited to  
8 a few issues," these issues were complex and required the preparation of direct and rebuttal  
9 testimony, a merits hearing, the preparation of a proposed order, and other matters  
10 requiring the incurrence of rate case expenses, none of which the Consumer Advocate  
11 challenges as being unreasonable.

12 **XI. RENT EXPENSE**

13 **Q. WITH ORS ADJUSTMENT #18, ORS HAS RECOMMENDED ADJUSTING THE**  
14 **COMPANY'S PRO-FORMA RENT EXPENSE DUE TO EMPLOYEE**  
15 **ALLOCATION OF DUTIES AT THE GREENVILLE OFFICE. DOES THE**  
16 **COMPANY AGREE WITH THIS ADJUSTMENT?**

17 A. No. The Company confirmed for ORS that there are workspaces assigned to 10 employees  
18 in the Greenville office, and 2 employees have job duties that allocate their time across the  
19 Atlantic region, of which Blue Granite is a part. However, there are also other Atlantic  
20 region employees that provide support for Blue Granite who are not primarily located in  
21 Greenville. The Company did not request allocations of the Charlotte office costs for other  
22 Atlantic region and Shared Services employees that support Blue Granite out of simplicity,  
23 but has quantified the cost to serve Blue Granite customers as \$18,568. Supporting this



cost to serve, I have included with my rebuttal testimony DeStefano Rebuttal Exhibit No. 3, which shows the underlying support and calculation. The Company recommends that if ORS's Rent Expense adjustment to the Company's proposal of (\$11,019) is accepted by the Commission, then ORS's position should be further adjusted by a positive \$18,568 for a total Adjustment #18 of \$103,407 to account for employees serving Blue Granite customers from the Charlotte regional office.

**XII. INSURANCE EXPENSE**

**Q. THE ORS HAS RECOMMENDED ADJUSTING THE COMPANY'S PRO-FORMA INSURANCE EXPENSE TO UPDATE FOR ACTUAL POLICY PREMIUM COSTS, WHILE THE CONSUMER ADVOCATE REMOVES MULTIPLE PREMIUMS DETERMINED TO BE ESTIMATES. WHAT IS THE COMPANY'S RESPONSE ON INSURANCE EXPENSE?**

A. The Company agrees with Adjustment 19 detailed by ORS Witness Sullivan, which updates as-filed estimates for policy premiums confirmed in the Company's insurance renewal process, completed and effective 11/1/2019. The Company has therefore provided support sufficient to support ORS Adjustment #19 and the pro-forma amount included in Audit Exhibit DFS-1. Accordingly, the Consumer Advocate's concern about using estimates is moot.

**XIII. UTILITY PLANT IN SERVICE**

**Q. THE ORS HAS RECOMMENDED DISALLOWANCE OF THE GREENVILLE OFFICE UPFIT PROJECT FROM UTILITY PLANT IN SERVICE. WHAT IS THE COMPANY'S RESPONSE?**

1 A. The Company disagrees with the removal of the Greenville office upfit project from rate  
2 base. The Company's response is detailed in the Rebuttal Testimony of Company Witness  
3 Denton.

4 **XIV. ACCUMULATED DEPRECIATION AND CIAC ACCUMULATED**  
5 **AMORTIZATION**

6 **Q. THE ORS HAS PROPOSED UPDATING TEST YEAR ACCUMULATED**  
7 **DEPRECIATION AND CIAC AMORTIZATION IN ADJUSTMENTS 33 AND 36.**  
8 **DOES THE COMPANY AGREE WITH ALL OF THE COMPONENTS OF THESE**  
9 **ADJUSTMENTS?**

10 A. While the Company agrees with Items 1, 2, and 3 of Adjustment 33 as detailed in the  
11 testimony of ORS Witness Briseno, we disagree with the calculation and application of  
12 Item 4 of Adjustment 33 and with Adjustment 36. It appears that ORS has applied a  
13 depreciation adjustment to Accumulated Depreciation and an amortization adjustment to  
14 Accumulated Amortization that utilizes proposed depreciation/amortization rates, which  
15 would not be in effect until after issuance of the Commission's order, well after the audit  
16 cutoff of 12/20/2019. Incorporating the effects of post-audit cutoff changes for only certain  
17 components of rate base—without the ability to similarly account for the effects of inter-  
18 related activity in Utility Plant in Service and CIAC (i.e., capital and CIAC additions after  
19 12/20/2019)—creates a violation of the matching principle prioritized in utility regulation.  
20 Instead, the Commission should approve a rate base balance with the balances of its  
21 components utilizing a consistent cutoff period for interrelated components, in this case  
22 Utility Plant in Service with Accumulated Depreciation and CIAC with Accumulated  
23 Amortization. Likewise, such rate base balances should not include the impacts of  
24 prospective depreciation and amortization rates that were not in effect during the post-Test

1 Year period before an Order in the current proceeding is effective – ORS is estimating that  
2 date to be 5/1/2020, a full 10 months past the Test Year-end date. Utilizing prospective  
3 activity in determining the correct, settled rate base balances goes beyond the historic Test  
4 Year basis for setting rates utilized by the Commission. For that reason, a single cut-off  
5 date should be used for inter-related rate base items to apply consistent, matching treatment  
6 to each item.

7 **Q. PLEASE EXPLAIN WHAT CUT OFF DATE FOR INCLUSION IN RATE BASE**  
8 **THE COMPANY RECOMMENDS FOR THE UNAMORTIZED DEFERRAL**  
9 **BALANCES FOR DECOMMISSIONING AND NET BOOK VALUE (“NBV”) AS**  
10 **WELL AS EXCESS DEFERRED INCOME TAX RESERVES.**

11 A. While the general matching principle identified above is relevant for Utility Plant in  
12 Service and CIAC, it is less of a consideration for deferral balances in rate base. This is  
13 because, while Utility Plant in Service and CIAC balances (and therefore, the fully  
14 dependent Accumulated Depreciation and Amortization balances) change regularly due to  
15 constant activity related to the Company’s infrastructure after the audit cut-off date,  
16 deferral balances are discrete, unchanging original balances that, once approved, have no  
17 further variables that affect their rate base consideration. This makes the deferral balances  
18 and their related amortization “known and measurable” in a complete sense, consistent  
19 with traditional ratemaking principles, which differentiates them from Utility Plant in  
20 Service and CIAC and their related Accumulated Depreciation and Amortization balances.  
21 For this reason, the Company has accepted ORS’s adjustment of the unamortized balances  
22 for certain prior-approved deferrals – hurricane costs, I-20 Phase 2, purchased water/sewer  
23 treatment deferrals – as carried out to 4/30/2020, but rejects ORS’s calculation of the

decommissioning/NBV and EDIT balances through 4/30/2021, a full 22 months beyond the Test Year-end and over 16 months past the audit cut-off date. The Company recommends all deferral balances be calculated as of the same cut-off date of 4/30/2020, as there is no foreseeable change in the amortizable balance that will occur between the audit cut-off and this date, which reflects the day before rates are estimated to be effective.

**XV. CLARIFICATION FOR CIAC**

**Q. AS RELATED TO CIAC, DO YOU WISH TO CLARIFY ANY POSITION PROPOSED BY THE COMPANY?**

A. Yes. The Company has proposed to add tariff language related to tax gross up considerations for CIAC. The proposed language included an 18.28% rate to be used for property contributions, based on the net present value (“NPV”) method of calculating tax gross up on CIAC. However, the inputs of the NPV method include authorized capital structure components, which are proposed to be adjusted in the current proceeding from those authorized in the Company’s last rate case. As such, the Company would recommend the authorized capital structure emanating from this proceeding be utilized to calculate the final NPV tax gross up percentage on property contributions to be included in the Company’s tariff.

**XVI. RATE DESIGN AND COST OF SERVICE STUDY**

**Q. ORS WITNESS SANDONATO RECOMMENDS GRADUAL CONSOLIDATION OF THE COMPANY’S SERVICE TERRITORY 1 AND SERVICE TERRITORY 2 WATER RATES, BY ALLOCATING THE REVENUE REQUIREMENT IN THIS CASE “IN A MORE EQUITABLE MANNER” – SPECIFICALLY, BY LIMITING THE REVENUE REQUIREMENT INCREASE FOR SERVICE TERRITORY 2 TO**

1           **NO MORE THAN 31% OF THE TOTAL WATER SERVICE REVENUE**  
2           **REQUIREMENT. WHAT IS THE COMPANY'S POSITION ON THIS ISSUE?**

3    A.     The Company agrees with ORS that continued rate consolidation is in the long-term best  
4           interest of its customers. Further, as suggested by ORS, the Company is open to filing a  
5           Cost of Service Study in its next rate case, which would best delineate the cost drivers and  
6           provide the best roadmap to consolidating rates and setting appropriate base facility and  
7           volumetric charge levels for the Company's customer groups. Should the Commission  
8           direct Blue Granite to preparing a Cost of Service Study before its next rate case, I would  
9           request that the Commission authorize the deferral of the associated costs along with its  
10          other rate case filing and processing expenses.

11   **Q.     ORS WITNESS SANDONATO STATES THAT THE COMPANY'S BASE RATE**  
12           **CHARGES WOULD BE UPDATED ANNUALLY BASED ON THE PROPOSED**  
13           **PASS-THROUGH FILING RESULTS. IS THIS ACCURATE?**

14   A.     No. The Company is proposing that the Pass-Through Mechanism rates be shown as a  
15          separate line item on customer bills (i.e., separately identified as "Purchased Water  
16          Adjustment Charge" and "Sewer Treatment Adjustment Charge"). This provides  
17          customers a discrete rate that captures cost changes between base rate cases and does not  
18          modify approved base rates.

19   **Q.     WITNESS SANDONATO STATES THAT ORS RECOMMENDS RETAINING**  
20           **THE EXISTING RATE STRUCTURE FOR DISTRIBUTION AND COLLECTION**  
21           **CUSTOMERS, AS OPPOSED TO SEPARATELY IDENTIFYING PURCHASED**  
22           **WATER COSTS AND PURCHASED SEWER TREATMENT COSTS. WHAT IS**  
23           **THE COMPANY'S RESPONSE?**

1 A. Witness Sandonato opposes separately identifying third-party water and sewer treatment  
2 charges, and instead recommends that those charges should be hidden within the  
3 Company's general rates. I acknowledge that, without other considerations, a bill with one  
4 rate would be simpler. However, simplicity is not the only principle relevant to this issue.  
5 At the night hearing held on January 30, 2020, the Mayor of the Town of Irmo, the  
6 Honorable Barry Walker, Sr., discussed the importance of "truth in billing," and that  
7 customers should understand what they're paying for. The separate identification of the  
8 Purchased Water Charge and Sewer Treatment Charge on a customer's bill is wholly  
9 consistent with that goal. The separate identification of these charges is also consistent  
10 with Bonbright principle 5, which provides that rates should reflect the associated costs  
11 and benefits of the provision of service (e.g., a rate that identifies the costs of third-party  
12 services); principle 8, which provides that rates should respond economically to changing  
13 demand and supply patterns (e.g., a rate that is updated to reflect changing costs of third-  
14 party providers); principle 9, which provides that rates should be understandable (e.g., a  
15 rate that relates to a particular component of the cost of service); and principle 10, which  
16 provides that the rate should be readily understandable (e.g., a rate that exclusively relates  
17 to a particular service).

18 It is important to note that the Company's proposed rate structure would provide  
19 greater transparency to customer groups with regard to the extent purchased water and  
20 sewer treatment costs are components of the overall water and sewer bill. The  
21 establishment of these charges would also allow for ease of "roll-in" of the incremental  
22 cost changes captured in the Pass-Through Mechanism between rate cases, which  
23 facilitates a straight-forward update to Distribution and Collection rate structures in the

1 following rate case. This improved clarity and simplicity of customer bills is aligned with  
2 the ORS's expressed desire for transparency of charges to the Company's customers.

3 **Q. WHAT TESTIMONY DID THE CONSUMER ADVOCATE PROVIDE**  
4 **CONCERNING COST ALLOCATION AND RATE DESIGN?**

5 A. Witness Mierzwa testifies as follows:

- 6       ▪ Blue Granite's existing base facility/monthly customer charges should remain  
7       unchanged, and any revenue increases should be recovered through increases in  
8       volumetric usage charges. A cost of service study would show that the Company's  
9       base charges are too high, and that they should be approximately \$10.00, as  
10      opposed to \$22.09 and \$38.58.
- 11      ▪ In rebuttal, Blue Granite should address whether it would be reasonable to assess  
12      volumetric charges for sewer service based on customer water service usage, which  
13      is a common practice and which may better match cost causation and cost recovery.
- 14      ▪ In rebuttal, Blue Granite should also address whether its current system of assessing  
15      commercial customers sewer service charges based on each customer's Single-  
16      Family Equivalent (SFE) is reasonable; SFE-based rate design may not provide for  
17      a reasonable matching of cost causation and recovery.

18 **Q. DO YOU AGREE WITH WITNESS MIERZWA WITH RESPECT TO THE**  
19 **COMPANY'S WATER BASE FACILITY CHARGES?**

20 A. No, I do not. Witness Mierzwa's analysis using the base-extra capacity method to  
21 determine an appropriate Base Facility Charge is incomplete, as it does not account for  
22 post-Test Year plant additions, updated depreciation rates, allocations of Cash Working  
23 Capital, and other pro-forma adjustments incorporated into the Consumer Advocate's

1 proposed revenue requirement. In addition, a comprehensive Cost of Service Study would  
2 incorporate cost allocations between service territories and water and sewer on a more  
3 detailed level. As such, the Company believes it is premature to draw conclusions about  
4 the appropriate Base Facility Charges based on the data available in the current proceeding,  
5 and we recommend, in agreement with ORS witness Sandonato, a Cost of Service Study  
6 be filed in the next rate case to adequately support further adjustments to rate structure and  
7 revenue requirement consolidation.

8 **Q. DO YOU HAVE AN OPINION AS TO WHETHER THE COMPANY'S CURRENT**  
9 **SYSTEM OF ASSESSING COMMERCIAL CUSTOMERS SEWER SERVICE**  
10 **CHARGES BASED ON EACH CUSTOMER'S SINGLE-FAMILY EQUIVALENT**  
11 **(SFE) IS REASONABLE?**

12 A. Similar to my testimony above regarding Base Facility Charges, the Company believes it  
13 is most prudent to provide a Cost of Service Study in its next base rate filing to support the  
14 potential for such changes in its rate structure.

15 **Q. DO YOU HAVE AN OPINION AS TO WHETHER IT WOULD BE REASONABLE**  
16 **FOR THE COMPANY TO ASSESS VOLUMETRIC CHARGES FOR SEWER**  
17 **SERVICE BASED ON CUSTOMER WATER SERVICE USAGE?**

18 A. Yes, I do. There are several considerations to implementing a volumetric component to  
19 sewer rates in the Company's service territories. First, only approximately half the  
20 Company's sewer customers are also provided water service by the Company, and thus the  
21 lack of water meter read data prevents Blue Granite from providing volumetric billing to  
22 the sewer-only customers. Additionally, the Company does not believe an unadjusted use  
23 of metered water usage is a reasonable proxy for sewer flows. This is especially true in



1 seasonal periods, where customers are using irrigation systems, filling pools, and otherwise  
2 increasing the proportion of water use that does not flow through the Company's sewer  
3 collection system. Also, the Company has some customers who have separate irrigation  
4 meters, which can allow for better segregation of in-house and exterior water usage to  
5 obtain more reasonable readings to be used for sewer billing. The Commission would  
6 likely need to opine on the support for and ways to encourage customers to install separate  
7 irrigation meters.

8 There are several ways to structure sewer volumetric rates (i.e., winter averaging,  
9 usage caps), and a detailed analysis of the Company's customer data in future proceedings  
10 can be completed to further explore such a proposal.

11 **XVII. OTHER CONSUMER ADVOCATE POSITIONS**

12 **Q. IN YOUR REVIEW OF THE CONSUMER ADVOCATE'S POSITIONS, DID YOU**  
13 **IDENTIFY ADDITIONAL ADJUSTMENTS NOT COVERED IN THE**  
14 **TESTIMONY OF WITNESS MORGAN?**

15 A. Yes. It appears Witness Morgan also removed all pro-forma plant additions from the  
16 Company's as-filed rate base. As the Company supplied multiple updates for actual plant  
17 activity in the post-Test Year, and such asset additions were confirmed to be in-service and  
18 benefitting customers during the ORS site visits in early January, the Company  
19 recommends rejecting Witness Morgan's adjustments.

20 **XVIII. FILING AND NOTICING COSTS**

21 **Q. THE ORS AND CONSUMER ADVOCATE RECOMMEND DISALLOWANCE OF**  
22 **NOTICE AND FILING COSTS ASSOCIATED WITH THE PROPOSED ANNUAL**  
23 **PASS-THROUGH MECHANISM. WHAT IS THE COMPANY'S RESPONSE?**

1 A. The Company has provided a reasonable estimate for noticing and filing costs related to  
2 the proposed annual Pass-Through Mechanism, based on standard notice mailing costs for  
3 the Company and associated legal support. Should an annual pass-through mechanism be  
4 authorized in this proceeding, it is reasonable to expect the annual incurrence of such costs,  
5 and the costs are thus appropriately recovered in base rates. Notably, ORS's alternative  
6 position to the Pass-Through Mechanism would necessitate customer noticing and rate  
7 filing costs to be incurred in a similar fashion to the Company's proposal, and thus should  
8 be deemed reasonable for recovery.

9 The Consumer Advocate has proposed, alternatively, that such costs be recovered  
10 in the pass-through filings themselves. The Company believe this would not be practical,  
11 as the mechanism is structured and intended only to capture rate impacts of purchased  
12 water and sewer treatment expenses, and such filing and noticing costs would be incurred  
13 concurrently with the setting of the pass-through charges. However, the Company  
14 proposes that, should these costs not be deemed recoverable as part of the current  
15 proceeding, that they be authorized for deferral to be recovered in a future base rate  
16 proceeding, and that carrying costs at the Company's cost of debt be authorized until their  
17 recovery.

18 **Q. IS THIS TESTIMONY TRUE AND ACCURATE TO THE BEST OF YOUR**  
19 **KNOWLEDGE, INFORMATION, AND BELIEF?**

20 A. Yes, it is.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.

Water Rate Schedule									
Description	Rates								
	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Base Charges, no flow (meter size in inches)</b>									
3/4	\$8.77	\$9.53	\$10.35	\$10.49	\$10.63	\$10.75	\$10.87	\$10.99	\$11.11
1	\$14.65	\$15.92	\$17.28	\$17.52	\$17.75	\$17.95	\$18.15	\$18.35	\$18.55
1 1/2	\$29.20	\$31.73	\$34.47	\$34.93	\$35.40	\$35.80	\$36.20	\$36.60	\$37.00
2	\$46.74	\$50.79	\$55.17	\$55.91	\$56.66	\$57.30	\$57.94	\$58.58	\$59.22
3	\$87.70	\$95.30	\$103.50	\$104.90	\$106.30	\$107.50	\$108.70	\$109.90	\$111.10
4	\$146.20	\$158.87	\$172.53	\$174.87	\$177.20	\$179.20	\$181.20	\$183.20	\$185.20
6	\$292.30	\$317.63	\$344.97	\$349.63	\$354.30	\$358.30	\$362.30	\$366.30	\$370.30
8	\$467.70	\$508.23	\$551.97	\$559.43	\$566.90	\$573.30	\$579.70	\$586.10	\$592.50
10	\$672.40	\$730.67	\$793.53	\$804.27	\$815.00	\$824.20	\$833.40	\$842.60	\$851.80
12	\$1,257.00	\$1,365.93	\$1,483.47	\$1,503.53	\$1,523.60	\$1,540.80	\$1,558.00	\$1,575.20	\$1,592.40
14 and greater	\$1,870.90	\$2,033.03	\$2,207.97	\$2,237.83	\$2,267.70	\$2,293.30	\$2,318.90	\$2,344.50	\$2,370.10
<b>Consumption Cost/1,000 gallons</b>									
Residential	\$4.74	\$5.15	\$5.59	\$5.66	\$5.74	\$5.80	\$5.86	\$5.92	\$5.98
Commercial	\$5.40	\$5.87	\$6.37	\$6.45	\$6.54	\$6.61	\$6.68	\$6.75	\$6.81
Wholesale	\$4.07	\$4.42	\$4.80	\$4.86	\$4.92	\$4.98	\$5.03	\$5.08	\$5.13

Sewer Rate Schedule									
Description	Rates								
	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Base Charges, no flow (meter size in inches*)</b>									
	*based on water meter size								
3/4	\$7.58	\$8.53	\$9.61	\$9.74	\$9.87	\$9.97	\$10.08	\$10.20	\$10.32
1	\$12.66	\$14.25	\$16.05	\$16.27	\$16.48	\$16.65	\$16.83	\$17.03	\$17.23
1 1/2	\$25.24	\$28.40	\$32.00	\$32.43	\$32.87	\$33.20	\$33.57	\$33.97	\$34.37
2	\$40.40	\$45.46	\$51.22	\$51.91	\$52.61	\$53.14	\$53.73	\$54.37	\$55.01
3	\$75.80	\$85.30	\$96.10	\$97.40	\$98.70	\$99.70	\$100.80	\$102.00	\$103.20
4	\$126.36	\$142.20	\$160.20	\$162.37	\$164.53	\$166.20	\$168.03	\$170.03	\$172.03
6	\$252.64	\$284.30	\$320.30	\$324.63	\$328.97	\$332.30	\$335.97	\$339.97	\$343.97
8	\$404.24	\$454.90	\$512.50	\$519.43	\$526.37	\$531.70	\$537.57	\$543.97	\$550.37
10	\$581.16	\$654.00	\$736.80	\$746.77	\$756.73	\$764.40	\$772.83	\$782.03	\$791.23
12	\$1,086.44	\$1,222.60	\$1,377.40	\$1,396.03	\$1,414.67	\$1,429.00	\$1,444.77	\$1,461.97	\$1,479.17
14 and greater	\$1,617.04	\$1,819.70	\$2,050.10	\$2,077.83	\$2,105.57	\$2,126.90	\$3,150.37	\$2,175.97	\$2,201.57
<b>Consumption Cost/1,000 gallons</b>									
Residential	\$5.81	\$6.54	\$7.36	\$7.46	\$7.56	\$7.64	\$7.72	\$7.80	\$7.88
Commercial	\$6.40	\$7.21	\$8.11	\$8.22	\$8.33	\$8.42	\$8.51	\$8.59	\$8.68
Wholesale	\$4.68	\$5.27	\$5.93	\$6.01	\$6.09	\$6.15	\$6.22	\$6.28	\$6.34

Blue Granite Water Company  
Docket 2019-290-WS  
Legal Expense - Post-Test Year Activity

Vendor	Description	Ledger Date	Service Period	Rehearing/Pass- Through Amount	General Legal Amount
HAYNSWORTH SINKLER BOYD, PA	Palmetto Bluff Easement	7/17/2019	Jun-19		\$ 200.00
HAYNSWORTH SINKLER BOYD, PA	Palmerston North Condemnation	7/17/2019	Jun-19		60.00
ROBINSON GRAY STEPP & LAFITTE	General Matters	7/17/2019	Jun-19		649.40
ICE MILLER LLP	Rehearing, Pass Through	7/23/2019	Jun-19	\$ 8,490.27	
ROBINSON GRAY STEPP & LAFITTE	Pass Through	8/7/2019	Jun-19	7,641.34	
BURR & FORMAN MCNAIR	Friarsgate WWTP	8/15/2019	Apr-19		4,305.50
ROBINSON GRAY STEPP & LAFITTE	Lake Wylie Tower	8/22/2019	Jun-19		825.00
HAYNSWORTH SINKLER BOYD, PA	Environmental Counsel	9/15/2019	May-19		249.50
WILLOUGHBY & HOEFER, P A	Friarsgate WWTP	9/15/2019	Jun-19		913.50
				<hr/> \$ 16,131.61	<hr/> \$ 7,202.90

**Blue Granite Water Company**  
**Docket 2019-290-WS**  
**Rent Expense - Charlotte Office Lease Allocation**

Charlotte Annual Rent - Lease Year ending 5/31/2020 \$ 172,972.80

<u>Charlotte Employee FTEs w/BGW Responsibility *</u>	<u>BGW FTE's</u>	
Anthony Gray	0.6988	
Deb Clark	0.3494	
Bryce Mendenhall	0.3494	
Neal Franklin	0.1027	
Zakia Bouldin	0.1027	
Sabrena Cooper	0.1027	
Dominique Greenfield	0.1027	
Tiara Hayes	0.1027	
Roslyn Lide-Miller	0.1027	
Sandra Soto	0.1027	
Glenda Thompson	0.1027	
Amon Vincent	0	
Shanika Wright	0.1027	
Tina Richardson	0.1027	
Mary Rollins	0.1027	
Lisa Silva	0.1027	
Total BGW FTE Allocation of Charlotte Office		2.63
Total Charlotte Office Employees		24.50
BGW Allocation of Charlotte Office		10.73%
BGW Cost Allocation of Charlotte Office		\$ 18,568.10

\* FTEs consistent with Salary and Wages audit update provided to Intervenors